

## Message Text

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TAGS: ENRG CA  
SUBJECT: GULL ISLAND: THE LONG VOYAGE TO PROSPERITY

SUMMARY: AS NFLD AWAITED THE ANNOUNCEMENT OF AN ELECTION IN THE SUMMER OF 1975, PLANS WERE ANNOUNCED FOR THE IMMEDIATE START OF CONSTRUCTION ON THE FIRST PHASE OF THE GULL ISLAND HYDRO PROJECT ON THE LOWER CHURCHILL RIVER IN LABRADOR. A TUNNEL UNDER THE STRAIT OF BELLE ISLE WAS TO CARRY TRANSMISSION LINES WHICH WOULD BRING ABOUT HALF THE GULL ISLAND POWER ONTO THE ISLAND OF NFLD. THE OTHER HALF OF THE HYDRO PROJECT S OUTPUT WOULD BE TRANSMITTED ACROSS QUEBEC TO MARKETS IN ONTARIO, THE MARITIMES, AND THE UNITED STATES.

SHORTLY AFTER THE MOORES GOVERNMENT WAS RETURNED TO POWER IN NFLD, DOUBTS BEGAN TO BE EXPRESSED ABOUT GULL ISLAND. WEEK AFTER WEEK, NFLD GOVT SPOKESMEN MADE MENTION OF "DIFFICULT CAPITAL MARKETS", OF THE UNWILLINGNESS OF THE GOC TO INCREASE ITS LOAN COMMITMENT FOR THE TRANSMISSION LINES, AND OF THE DIFFICULTY IN OBTAINING THE GOVT OF QUEBEC S APPROVAL TO TRANSMIT  
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NFLD-OWNED GULL ISLAND POWER ACROSS QUEBEC.

WORK PROCEEDED ON THE CONSTRUCTION OF THE TUNNEL AND ON THE RIGHT-OF-WAY FOR TRANSMISSION LINES BUT THE DEADLINE FOR THE GO-AHEAD ON PHASE TWO, THE CONSTRUCTION OF THE GENERATING PLANT, WAS MISSED. THEN CAME THE ANNOUNCEMENT: PHASE TWO WOULD BE DELAYED FOR AT LEAST ONE YEAR--POSSIBLY

TWO OR THREE. ANOTHER ANNOUNCEMENT: QUEBEC REFUSED TO ALLOW NFLD-OWNED POWER TO CROSS HER TERRITORY. MOREOVER, QUEBEC REFUSED TO SELL CHURCHILL FALLS POWER TO NFLD (PENDING COMPLETION OF GULL ISLAND) AT CONCESSIONARY RATES. NFLD CLAIMED THE LEGAL RIGHT TO SUCH CHURCHILL FALLS POWER AND INSTITUTED A LAWSUIT AGAINST QUEBEC. MEANWHILE, IN JUNE, 1976, ALL CONSTRUCTION WORK ON PHASE ONE WAS STOPPED.

FURTHER PROGRESS ON THE GULL ISLAND PROJECT SEEMED UNLIKELY UNTIL THE MATTER WENDED ITS WAY THROUGH THE COURTS. IN FEBRUARY 1978, HOWEVER, THE GOC AND THE GOVT OF NFLD AGREED TO ESTABLISH A LOWER CHURCHILL DEVELOPMENT CORPORATION, TO BE MAJORITY-OWNED BY NFLD, TO UNDERTAKE MARKETING AND ENGINEERING STUDIES ON LABRADOR HYDRO SITES, AND PARTICULARLY GULL ISLAND. NOW THE QUESTIONS MULTIPLY:

- WHEN WILL THE LCDC COME INTO BEING?
- WHEN IS THE APPROPRIATE TIME FOR THE GOC EITHER TO PERSUADE OR TO COERCE THE GOVT OF QUEBEC INTO ALLOWING FREE AND UNHINDERED INTERPROVINCIAL TRANSMISSION OF POWER?
- WILL GAS AND OIL FROM THE ARCTIC ISLANDS OR FROM THE LABRADOR OFFSHORE AFFECT GULL ISLAND?

THE GULL ISLAND PROJECT IS NEEDED AND WILL IN TIME COME INTO UNCLASSIFIED

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BEING. IT IS DIFFICULT TO SEE HOW IT CAN FUNCTION, HOWEVER, UNTIL THE PROPOSED EASTERN CANADA ELECTRICAL GRID IS IN PLACE AND FUNCTIONING. END SUMMARY.

1. PREMIER FRANK MOORES SET OFF DYNAMITE CHARGES NEAR SAVAGE COVE ON THE ISLAND OF NEWFOUNDLAND AND ON THE LABRADOR MAINLAND JUST OPPOSITE, ACROSS THE NARROWEST PORTION OF THE STRAIT OF BELLE ISLE. THE EXPLOSIONS GOUGED OUT 20-FOOT CRATERS, SIGNALLING THE START OF CONSTRUCTION OF A 12-MILE LONG UNDERSEA TUNNEL WHICH WOULD CARRY HIGH VOLTAGE CABLES UNDER THE STRAIT AND PERMIT POWER TO FLOW ONTO THE ISLAND FROM THE PLANNED GULL ISLAND POWER PROJECT ON THE LOWER CHURCHILL RIVER IN LABRADOR. THE DATE WAS AUGUST 12, 1975, A COLD, RAINY FOGGY DAY WITH STIFF WINDS. THE ATROCIOUS WEATHER KEPT LOCAL ATTENDANCE MINIMAL IN AN UNPOPULATED PART OF THE

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PROVINCE WHERE FEW ONLOOKERS COULD HAVE BEEN EXPECTED  
EVEN UNDER IDEAL WEATHER CONDITIONS. THUS THERE WERE FEW  
WHO ACTUALLY HEARD THE PREMIER STATE THAT  
...WE HAVE FINALLY EMBARKED ON THE  
VOYAGE TO PROSPERITY WHICH WE HOLD  
TO BE THE DESTINATION OF NEWFOUNDLAND  
AND NEWFOUNDLANDERS...  
OUR VOYAGE TO PROSPERITY BEGINS  
HERE TODAY.  
I ASK YOU AND ALL NEWFOUNDLANDERS TO  
JOIN ME.

2. THIRTEEN DAYS LATER NEWFOUNDLAND S EIGHTH LEGIS-  
LATURE WAS DISSOLVED AND A GENERAL ELECTION WAS SET FOR  
SEPTEMBER 16, 1975. ON THAT DATE, PREMIER MOORES  
GOVERNMENT WAS GIVEN A NEW, IF SOMEWHAT REDUCED, MANDATE  
TO GOVERN. WITHIN A FORTNIGHT, THE FIRST DOUBTS ABOUT  
GULL ISLAND BEGAN TO VE VOICED BY THE POLITICIANS. WAS  
NFLD S VOYAGE TO PROSPERITY TO BE A TEENY BIT LONGER  
TRIP THAN HAD BEEN EXPECTED?

3. DOUBTS ABOUT THE GULL ISLAND PROJECT BEGAN TO BE  
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VOICED IN A VERY LOW-KEY WAY. THERE WAS, IT SEEMED, A BIT  
OF A "MONEY HITCH". REPORTERS SOUGHT OUT DENNIS GROOM,  
PRESIDENT OF NEWFOUNDLAND HYDRO. GROOM WAS CAGEY.  
ALL HE WOULD SAY FOR PUBLICATION WAS THAT NEWFOUNDLAND HYDRO  
WAS "STILL LOOKING AT VARIOUS ASPECTS OF THE PROJECT" AND

"THE CAPITAL MARKETS ARE DIFFICULT RIGHT NOW...THE SITUATION IS NOT EASY."

4. BUT "DIFFICULT" CAPITAL MARKETS WERE APPARENTLY NOT THE ONLY OBSTACLE. ON 10/6/75, PREMIER MOORES BROUGHT ANOTHER PROBLEM OUT INTO THE OPEN: THE FEDERAL CONTRIBUTION. THE FEDS HAD PREVIOUSLY PROMISED A LONG TERM, LOW INTEREST LOAN OF CDOLS 343 MILLION TO HELP PAY FOR TRANSMISSION LINE COSTS TO BRING THE POWER FROM THE GULL ISLAND SITE IN LABRADOR ONTO AND ACROSS THE ISLAND OF NEWFOUNDLAND TO ST. JOHN S. IN THE OPINION OF THE PROVINCE, THE FEDERAL LOAN SHOULD RIGHTLY HAVE BEEN UPPED TO SOMEWHERE AROUND CDOLS 570 MILLION TO ALLOW FOR THE EFFECTS OF INFLATION SINCE THE TIME WHEN THE COMMITMENT WAS FIRST MADE. WOULD THIS, THEN, DELAY THE FINAL GO-AHEAD FOR THE PROJECT WHICH WAS TO BE GIVEN IN THIS SAME MONTH OF OCT 1975? NOT ACCORDING TO FRANK MOORES.

AS REPORTED IN THE ST. JOHN S DAILY NEWS OF 10/7/75:

ON THE SUGGESTION THERE WERE DOUBTS THAT THE FINAL PROJECT RELEASE FOR THE LOWER CHURCHILL WOULD COME IN OCTOBER AS EARLIER ANNOUNCED, MR MOORES SAID THE DEADLINE WOULD BE MET, ADDING THAT THE GOVERNMENT HAD UNTIL THE END OF OCTOBER TO DO IT.

THE PREMIER ACCUSED THE DAILY NEWS OF "INCORRECT SENSATIONALISM", FOR SAYING THE LOWER CHURCHILL WAS

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IN FINANCIAL TROUBLE...

HE SAID THE POSITION ON THE PROJECT HAS "NOT CHANGED" AND THERE WAS "NO REASON" FOR ANYONE TO BE "ANY MORE CONCERNED" ABOUT IT NOW THAN PREVIOUSLY."

5. DOUBTS PERSISTED, HOWEVER, AND AFTER A COUPLE OF MORE DAYS THE PREMIER WAS OPINING TO THE PRESS THAT THE TIGHT MONEY MARKET COULD DELAY WORK ON THE GULL ISLAND GENERATING PLANT ITSELF (BUT NOT ON TRANSMISSION LINES) FOR A YEAR, THUS STRETCHING OUT THE FINANCING AND CONSTRUCTION TIMES FROM FIVE YEARS TO SIX YEARS. FOR THE FIRST TIME, ALSO, THE PREMIER ALLUDED IN PASSING TO THE POSSIBILITY OF SUPPLYING POWER FROM GULL ISLAND TO AN EASTERN CANADIAN GRID. NO MENTION WAS MADE OF THE ABSOLUTE NECESSITY FOR MARKETING SURPLUS ELECTRICITY FROM GULL ISLAND OUTSIDE THE PROVINCE, ALTHOUGH HOW A PROVINCE WHICH THEN MET ITS NEEDS WITH APPROX 800 MW OF GENERATING

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CAPACITY WAS EXPECTED TO ABSORB BOTH THE FINANCING COSTS AND THE 1800 MW EXPECTED TO BE GENERATED BY THE GULL ISLAND PROJECT HAD NEVER BEEN MADE CLEAR. BY THIS TIME (10/8/750 THERE WAS NO MORE TALK ABOUT MAKING THE FINAL DECISION TO PROCEED WITH THE PROJECT BEFORE MONTH S END. NOW THE PREMIER WAS STATING THE DECISION WOULD BE MADE "WITHIN THE NEXT SIX WEEKS."

6. SIX WEEKS PASSED WITHOUT A DECISION, BUT ON NOV 22 THE PREMIER STARTED TALKING ABOUT A TWO-YEAR DELAY RATHER THAN THE ONE-YEAR DELAY MENTIONED IN OCTOBER. ON NOV 25, PROVINCIAL FINANCE MINISTER BILL DOODY MADE A BUDGET SPEECH TO THE HOUSE OF ASSEMBLY AND LEFT THE IMPRESSION THAT THE TIMING OF THE PROJECT WAS EVEN MORE OPEN-ENDED THAN HAD HERETOFORE BEEN STATED. ACCORDING TO DOODY, CONSTRUCTION OF THE TRANSMISSION SYSTEM WOULD CONTINUE BUT WORK AT THE ACTUAL HYDRO SITE WOULD BE POSTPONED FOR "AT LEAST" ONE YEAR. THE PROJECT WOULD THUS BE DEVELOPED, HE INDICATED, IN A "PHASED MANNER",. TO MEET NEWFOUNDLAND S POWER NEEDS IN EXCESS OF INSTALLED CAPACITY PRIOR TO THE COMPLETION OF THE GULL ISLAND PROJECT, THE PROVINCE WOULD SEEK TO PURCHASE UPPER  
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CHURCHILL POWER FROM HYDRO QUEBEC IN EXCESS OF THE

300 MW RECALL ENTITLEMENT ALREADY HELD BY NEWFOUNDLAND  
BUT WHICH HAD NOT THUS FAR BEEN DRAWN UPON.

7. THREE DAYS LATER, ON NOV 28, PROVINCIAL ENERGY  
MINISTER JOHN CROSBIE DROPPED THE BOOM. THE FINAL (OR  
ALMOST-FINAL) DECISION ON GULL ISLAND HAD BEEN MADE:  
WORK ON THE POWER PLANT AT GULL ISLAND WOULD NOT BE BEGUN  
RIGHT AWAY. THERE WOULD BE A "MINIMUM DELAY" OF ONE  
YEAR BUT THIS SHOULD NOT, IN ALL LIKELIHOOD, EXTEND  
BEYOND TWO OR THREE YEARS. WORK ON TRANSMISSION LINES,  
TERMINALS, AND THE TUNNEL' (UNDER THE STRAIT OF BELLE  
ISLE) WOULD CONTINUE BUT AT A REDUCED RATE.

8. CROSBIE S NOV 28 STATEMENT, IT WILL BE NOTED, WAS  
RATHER SIMILAR TO DOODY S STATEMENT OF NOV 25, BUT JUST  
MARGINALLY MORE SOMBER. THAT WAS THE PATTERN THROUGHOUT  
THE CLOSING WEEKS OF 1975. THE BAD NEWS CAME IN DRIBLETS,  
A LITTLE AT A TIME, WITH FIRST ONE SPOKESMAN AND THEN, A  
FEW DAYS LATER, ANOTHER. BY THIS TIME, HOWEVER, IT WAS  
CLEAR THAT GULL ISLAND WAS IN SERIOUS TROUBLE. THE  
PROVINCIAL GOVERNMENT S ANNOUNCED DECISION TO WITHHOLD  
FINAL PROJECT APPROVAL WAS SAID BY OPPOSITION LEADER ED  
ROBERTS TO BE THE "GREATEST RETREAT SINCE NAPOLEON LEFT  
MOSCOW AND WENT TO HIS DOOM." AFTER INDULGING HIMSELF  
WITH HIS HYPERBOLE, ROBERTS WENT ON, SWITCHING FROM  
EXAGGERATION TO UNRELIEVED GLOOM: "THE PROJECT IS  
DYING," HE SAID, "IT IS IN ITS TERMINAL STAGES." AN  
UNNAMED PROVINCIAL CABINET MINISTER MASKED GLOOM UNDER  
FACETIOUSNESS AT THE END OF 1975 BY OBSERVING THAT, IF  
THE BILLION-DOLLAR TRANSMISSION LINE WERE BUILT BUT THE  
PROJECT FAILED: "DON T WORRY--WE LL HAVE THE LONGEST  
CLOTHESLINE IN HISTORY."

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9. AS IT TURNED OUT, THAT CLOTHESLINE WAS NEVER STRUNG.  
BUT AT THE BEGINNING OF 1976, FOR PHASE ONE AT ANY RATE  
IT WAS STILL FULL STEAM AHEAD. THE NFLD HOUSE OF  
ASSEMBLY HAD EARLIER VOTED CDOLS 55 MILLION TO CONTINUE  
THE TUNNEL AND TRANSMISSION LINES, AND WORK WAS PRO-  
CEEDING APACE. AT THE SAME TIME, HOWEVER, PROVINCIAL  
GOVT SPOKESMEN CONTINUED THE GRADUAL DISCLOSURE OF  
INFORMATION INDICATING PROBLEMS AFFECTING THE VIABILITY  
OF THE GULL ISLAND PROJECT. IN A "STATE OF THE PROVINCE"  
SPEECH IN EARLY JANUARY, ACTING PREMIER ALEX HICKMAN BEGAN  
TO SOUND A THEME WHICH HAS BEEN REPEATED FREQUENTLY (BUT  
UNAVAILINGLY) EVER SINCE. HE SAID,

THERE HAS NEVER BEEN ANY DOUBT THAT IT  
I IS IN THE NATIONAL INTEREST TO TRANSPORT  
OIL AND GAS INTERPROVINCIALY WITHOUT

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ANY ONE PROVINCE HAVING VETO POWER.  
...SURELY IT MUST FOLLOW THAT  
THE SAME PRINCIPLE APPLIES TO THE  
TRANSMISSION OF ELECTRIC POWER.

HERE WAS A CLEAR SIGNAL THAT THE TALKS WHICH ENERGY  
MINISTER JOHN CROSBIE HAD BEEN HOLDING WITH HIS QUEBEC  
COUNTERPART WERE NOT GOING WELL. QUEBEC, IT SEEMED,  
HAD NO NEED FOR THE SURPLUS POWER FROM THE GULL ISLAND  
PROJECT WHICH NFLD HOPED TO SELL TO HYDRO QUEBEC.  
MOREOVER, QUEBEC WOULD NOT PERMIT THE FREE PASSAGE OF NFLD-  
OWNED POWER OVER HER TERRITORY. LA BELLE PROVINCE HAD  
MADE IT CLEAR SINCE THE DAYS OF CHURCHILL FALLS NEGOTIATIONS  
WITH NFLD BACK IN THE 1960 S THAT LABRADOR POWER GOING TO  
MARKETS BEYOND QUEBEC (I.E., TO THE MARITIMES, THE U S , AND  
CENTRAL CANADA) COULD BE SOLD IN THOSE MARKETS ONLY BY  
HYDRO QUEBEC, WHICH WOULD PURCHASE THE POWER FROM NFLD AT  
THE QUEBEC-LABRADOR BORDER. FURTHERMORE, NFLD COULD EXPECT  
LITTLE IF ANY ADVANTAGE FROM THIS ARRANGEMENT SINCE IT PUT  
HYDRO QUEBEC IN THE POSITION OF ONE WHO COULD BUY LOW AND SELL  
HIGH.

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10. NFLD SAW THIS AS MERELY A TEMPORARY ADVANTAGE OF HER NEIGHBORING PROVINCE AND WAS THEREFORE IN NO HURRY TO GO TO THE MAT WITH QUEBEC OVER THE ELIMINATION OF HYDRO QUEBEC AS THE SOLE POSSIBLE PURCHASER OF SURPLUS LABRADOR POWER. THERE WERE PROPOSALS BEING AIRED FOR A STRENGTHENED REGIONAL ELECTRICAL GRID COVERING ALL OF EASTERN CANADA AND FINANCED IN LARGE PART WITH FEDERAL FUNDS. WHEN SUCH A GRID CAME INTO BEING, ITS EFFICIENT OPERATION WOULD PROBABLY REQUIRE SOME SORT OF UNITARY MARKETING ARRANGEMENT FOR SURPLUS POWER FROM THE REGION AS A WHOLE, REGARDLESS OF THE SOURCES OF ANY INCREMENTAL PORTIONS OF THAT SURPLUS. IN THE MEANTIME, HOWEVER, THE ISLAND PART OF NEWFOUNDLAND WOULD NEED A NEW SOURCE OF POWER FOR ITS OWN INCREASED DEMAND, NOT LATER THAN THE EARLY 1980 S. WITH THE COMPLETION DATE OF THE GULL ISLAND PROJECT DELAYED AT LEAST ONE YEAR, AND POSSIBLY MORE, BUT WITH WORK CONTINUING ON THE TUNNEL AND TRANSMISSION LINE, IT WAS THEREFORE UNDERSTANDABLE THAT THE FLD GOVT WOULD LOOK TO CHURCHILL FALLS AS AN INTERIM SOURCE OF POWER UNTIL GULL ISLAND CAME ON STREAM.

11. CHURCHILL FALLS SEEMED THE OBVIOUS SOURCE FOR AN INTERIM SUPPLY OF POWER NOT ONLY BECAUSE PART OF THE LULL ISLAND TRANSMISSION LINE WAS TO BE AN INTERTIE BETWEEN THE UPPER CHURCHILL (CHURCHILL FALLS) AND LOWER CHURCHILL (GULL ISLAND) HYDRO PROJECTS, BUT ALSO BECAUSE NFLD HAD A THUS-FAR-UNCLAIMED POWER RECALL ENTITLEMENT WHICH, UNDER THE TERMS OF THE 1969 SALES CONTRACT AWARDED VIRTUALLY THE TOTAL POWER OUTPUT OF CHURCHILL FALLS TO QUEBEC, GAVE NFLD THE RIGHT TO RECALL 300 MW OF THE POWER AT SUCH TIME AS SHE HAD NEED OF IT. TO JUSTIFY THE GULL ISLAND TRANSMISSION SYSTEM UNDER

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IONSTRUCTION, HOWEVER, NFLD HAD NEED OF NOT ONLY THE 300 MW RECALLABLE UNDER THE AGREEMENT BUT AT LEAST AN ADDITIONAL 600 MW AS WELL. QUEBEC, HOWEVER, REFUSED TO SUPPLY THE ADDITIONAL 600 MW UNLESS NFLD EITHER PAID WHAT IT WOULD IOST QUEBEC TO REPLACE THE POWER AT COMMERCIAL RATES FROM OTHER SUPPLIERS OR--AND THIS SET OFF A STORM OF PROTEST IN ST. JOHN S--UNLESS NFLD AGREED TO CEDE APPROX 7500 SQUARE MILES OF LABRADOR TO QUEBEC. THE TRACT IN SOUTHEASTERN LABRADOR TO BE CEDED CONTAINED THE HEADWATERS OF FIVE RIVERS WITH POTENTIAL FOR POWERING SIZABLE HYDRO SCHEMES.

12. UNWILLING TO MEET QUEBECS TERMS, NFLD STOPPED ALL WORK ON THE GULL ISLAND TRANSMISSION LINE AND ON THE



TUNNEL IN EARLY JUNE, 1976. AT THE SAME TIME, IT WENT TO COURT AND DEMANDED THAT QUEBEC ACCEDE TO A NFLD DEMAND FOR THE RECALL OF 800MW FROM CHURCHILL FALLS (OVER AND ABOVE THE 300 MW NFLD RECALL ENTITLEMENT), BASED UPON A CLAUSE IN THE LEASE FOR LABRADOR WATER

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RIGHTS IT GRANTED TO THE OPERATING COMPANY OF THE CHURCHILL FALLS HYDRO PLANT IN 1961. THAT CLAUSE GAVE THE OPERATING COMPANY THE UNCHALLENGED RIGHT TO EXPORT POWER, EXCEPT THAT "UPON REQUEST OF THE (NFLD) GOVERNMENT, CONSUMERS OF ELECTRICITY IN THE PROVINCE SHALL BE GIVEN PRIORITY WHERE IT IS FEASIBLE AND ECONOMIC TO DO SO." NFLD ARGUES THAT THIS OVERRIDES THE 1969 AGREEMENT BETWEEN THE CHURCHILL FALLS OPERATING COMPANY AND HYDRO QUEBEC THAT GAVE THE LATTER THE RIGHT TO BUY, AT LOW PRICES, ALL BUT 300 OF THE 5225 MW OF POWER GENERATED AT CHURCHILL FALLS. HYDRO QUEBEC DISAGREES AND THE MATTER WENT TO LITIGATION IN 1976. IT IS UNCERTAIN WHEN A FINAL COURT DECISION ON THIS MATTER MAY BE EXPECTED.

13. QUEBEC'S REFUSAL TO ALLOW FREE PASSAGE OF LABRADOR POWER OVER HER TERRITORY TO MARKETS IN THE MARITIMES, CENTRAL CANADA, AND THE UNITED STATES HAS LED TO CONSIDERATION OF A SO-CALLED "ANGLO-SAXON ROUTE" WHEREBY LABRADOR POWER WOULD BYPASS QUEBEC. THIS WOULD

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BE ACCOMPLISHED BY TRANSMITTING THE POWER FROM GULL ISLAND, THROUGH THE TUNNEL UNDER THE STRAIT OF BELLE ISLE, SOUTHWARD ACROSS PART OF THE ISLAND OF NFLD TO ITS SOUTHWEST POINT, AND THEREAFTER UNDERWATER ACROSS THE 75-MILE-WIDE CABOT STRAIT TO THE NORTHERMOST PART OF CAPE BRETON ISLAND, AND FROM THERE ACROSS NOVA SCOTIA TO MARKETS IN THE MARITIMES OR NEW ENGLAND. CONSIDERATION OF THIS ROUTE WAS LONG REGARDED AS A PIPE DREAM BECAUSE OF TECHNICAL DIFFICULTIES INHERENT IN THE TRANSMISSION OF POWER UNDER THE CABOT STRAIT. ALTHOUGH RECENT ADVANCES IN TECHNOLOGY NOW MAKE SUCH A CABLE TECHNICALLY FEASIBLE, ITS ADDITIONAL COST WOULD ADD AN ESTIMATED FIVE MILLS PER KWH OVER THE COST OF GULL ISLAND POWER DELIVERED TO MARKETS VIA AN ALL-OVERLAND ROUTE ACROSS QUEBEC. THIS ADDITIONAL COST, WHICH WOULD HAVE TO BE REFLECTED IN HIGHER RATES, WOULD PRICE THE POWER OUT OF TODAY'S MARKET. FOR THIS REASON, THE ANGLO-SAXON ROUTE IS NOT BEING GIVEN SERIOUS CONSIDERATION AT THIS TIME.

14. BETWEEN MID-1976 AND EARLY 1978 THERE WERE ATTEMPTS TO RESOLVE THE IMPASSE BETWEEN QUEBEC AND NFLD BY MINISTERIAL DISCUSSIONS AND AT MEETINGS OF THE TWO PREMIERS. SUCH DISCUSSIONS AND MEETINGS, HOWEVER, FAILED UTTERLY TO PRODUCE ANY MEETING OF MINDS. THE NEWFOUNDLANDERS CONSISTENTLY DEMANDED BOTH A RE-OPENING OF NEGOTIATIONS WITH REGARD TO THE AMOUNT HYDRO QUEBEC SHOULD PAY FOR CHURCHILL FALLS POWER AND A POWER RECALL ENTITLEMENT FROM CHURCHILL FALLS TOTALLING 1100 MW RATHER THAN THE 300 MW THEY ALREADY HAD CLAIM TO. JUST AS CONSISTENTLY, THE QUEBEC MINISTER FOR NATURAL RESOURCES AND PREMIER RENE LEVESQUE, IN REFUSING, WOULD SAY, "A CONTRACT IS A CONTRACT."

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15. PENDING A COURT-IMPOSED SOLUTION, FURTHER DEVELOPMENTS ON GULL ISLAND SEEMED UNLIKELY IN VIEW OF THE INTER-PROVINCIAL IMPASSE. AT THE FIRST MINISTERS' CONFERENCE IN OTTAWA IN MID-FEBRUARY, 1978, HOWEVER, OTTAWA ENTERED THE ACT. THE ANNOUNCEMENT WAS MADE THAT A JOINT FEDERAL-PROVINCIAL CORPORATION TO BE CALLED THE LOWER CHURCHILL DEVELOPMENT CORPORATION (LCDC) WOULD BE FORMED, WITH EQUITY PARTICIPATION BY BOTH LEVELS OF GOVT BUT WITH NFLD HOLDING MAJORITY OWNERSHIP. THE NEW CORPORATION

WILL IN THE FIRST INSTANCE UNDERTAKE A CDOLS 5 MILLION PRELIMINARY DESIGN AND ENGINEERING STUDY OF HYDRO PROJECTS IN LABRADOR, WITH PRIMARY EMPHASIS ON GULL ISLAND. THE STUDY WILL BE WHOLLY FINANCED BY THE GOC. THE CORPORATION WILL THEREAFTER ADRESS ITSELF TO THE FINANCING OF THE PROJECT AND THE MARKETING OF THE POWER.

16. THERE WAS SOME INITIAL EUPHORIA IN NFLD OVER THIS GOC COMMITMENT TO INVOLVE ITSELF IN LABRADOR HYDRO DEVELOPMENT--BUT THEN SOBER SECOND THOUGHTS BEGAN TO INTRUDE.

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MP JOHN CROSBIE (PC)--ALWAYS READY TO TEAR A FEW STRIPS OFF LIBERALS HIDES-ACCUSED THE GOC OF HAVING NO INTENTION OF PROCEEDING WITH THE GULL ISLAND PROJECT. HE SAID THAT THE FORMATION OF THE NEW CORPORATION WAS SIMPLY A TRANSPARENT ATTEMPT TO CONVINCE PEOPLE THAT THE GOVERNMENT IS ATTEMPTING TO DO SOMETHING IN THE AREAS OF ENERGY AND EMPLOYMENT. NFLD MHA BILL MARSHALL (PC) DID NOT GO QUITE AS FAR AS CROSBIE BUT HE DID SUGGEST THAT THE GOVT OF NFLD OUGHT TO DEMAND THAT ALL EQUITY IN THE NEW CORPORATION SHOULD BELONG TO NFLD. MARSHALL ALSO STATED THAT A NUMBER OF OUTSTANDING QUESTIONS WOULD NEED TO BE ANSWERED, VIZ.,

A) WILL THE POWER FROM GULL ISLAND BE SOLD DIRECT TO CUSTOMERS AND NOT THROUGH THIRD PARTIES, E.G., QUEBEC INTERESTS?

B) IS THE FEDERAL GOVERNMENT PREPARED NOW TO SEE THAT THE POWER IS GIVEN THE SAME STATUS AS OIL AND

THUS ABLE TO PASS THROUGH INTERPROVINCIAL BOUNDARIES?

C) IF SO, IS OTTAWA PREPARED TO PAY COMPENSATION FOR FAILING TO DO SO WHEN CHURCHILL FALLS POWER WAS "VIRTUALLY GIVEN AWAY"?

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17. WHAT HAPPENS NEXT WITH RESPECT TO THE LOWER CHURCHILL DEVELOPMENT CORPORATION? WHEN WILL THE PROVINCE OF NFLD AND THE GOC SIGN AN AGREEMENT AND BRING THE LCDC INTO BEING? NEITHER PARTY HAS STATED THUS FAR WHEN THIS WILL HAPPEN. THE MOST THAT CAN BE LEARNED IS THAT NEGOTIATIONS ARE "ONGOING".

18. COMMENT: PROMISES, PROMISES... IN THIS ELECTION YEAR, PROMISES ARE TO BE EXPECTED. THE MARITIME PROVINCES HAVE RECENTLY BEEN PROMISED A MARITIMES ENERGY CORPORATION -- THE IMPLICATION BEING THAT FUNDY TIDAL POWER IS HIGHLY LIKELY TO RECEIVE SUBSTANTIAL FEDERAL FUNDING AND WILL PROBABLY BECOME A REALITY WITHIN A DECADE. NO IRONCLAD LOC COMMITMENT HAS BEEN MADE, TO BE SURE, BUT STILL...

19. NFLD IS PROMISED A LOWER CHURCHILL DEVELOPMENT CORPORATION. AGAIN, NO IRONCLAD COMMITMENT TO BUILD THE GULL ISLAND HYDRO PROJECT, BUT NEVERTHELESS A FEDERAL INVOLVEMENT FAR BEYOND ANY MADE PREVIOUSLY.

20. DOES OTTAWA IN FACT HAVE A COHERENT ENERGY DEVELOPMENT POLICY FOR EASTERN CANADA, OR ARE THE PROMISES SO FREELY GIVEN THIS YEAR MERELY PRE-ELECTION SWEETENERS WITH NOTHING MORE SUBSTANTIAL BEHIND THEM THAN A MICAWBER-LIKE HOPE THAT SOMETHING WILL TURN UP? THE ANSWER TO THIS IS PROBABLY THAT OTTAWA HAS NOT MERELY ONE COHERENT ENERGY DEVELOPMENT PLAN FOR EASTERN CANADA BUT AT LEAST THE TENTATIVE OUTLINES OF A NUMBER OF SUCH PLANS. IN THE ABSENCE, HOWEVER, OF A SERIOUS ENERGY CRUNCH IN THE AREA-- AND NONE SEEMS LIKELY AT THE MOMENT--THIS MUST SEEM TO OTTAWA TO BE A GOOD TIME TO AVOID GETTING IMMOVABLY LOCKED INTO ANY MULTI-BILLION DOLLAR HYDRO SCHEME IN THE REGION. TOO MANY LEGAL, POLITICAL, AND TECHNOLOGICAL, BALLS ARE IN THE UNCLASSIFIED

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AIR AT THE MOMENT:

--IF NFLD WINS ITS COURT TEST AGAINST QUEBEC AND GETS THE RIGHT TO RECALL 800 MW OF ADDITIONAL POWER FROM CHURCHILL FALLS, A LOT OF THE APPARENT

URGENCY FOR AN EARLY GO-AHEAD ON GULL ISLAND WILL  
EVAPORATE.

--WITH THE COMING TO POWER OF THE PQ, THERE IS  
LESS STOMACH THAN EVER IN OTTAWA FOR OVER-  
TURNING THE QUEBEC POLICY OF REFUSING FREE  
PASSAGE OVER ITS TERRITORY OF NFLD-OWNED LABRADOR  
POWER. THE FEELING IS THAT MATTERS SUCH AS THIS  
SHOULD MARK TIME UNTIL THE SEPARATISM ISSUE IS  
SORTED OUT.

--ARE THERE COMMERCIAL QUANTITIES OF GAS AND OIL  
IN THE ARCTIC ISLANDS AND OFF THE COAST OF  
LABRADOR, AND DOES THE TECHNOLOGY CURRENTLY  
EXIST TO EXPLOIT THESE RESERVES? IF THE ANSWERS  
TO THESE QUESTIONS IS "YES", THEN THE FEDERAL

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GOVT OR THE NFLD GOVT MAY EITHER HAVE SOME  
GOODIES TO USE AS TRADE-OFFS WITH QUEBEC OR  
MAY HAVE ENOUGH NEW WEALTH TO BY-PASS QUEBEC  
(I.E., THE "ANGLO-SAXON ROUTE") WITHOUT WORRYING  
TOO MUCH ABOUT THE EXPENSE OF UNDERSEA TRANS-  
MISSION LINES.

21. THE VERY EXISTANCE OF COMMERCIAL QUANTITIES OF OIL  
AND GAS IN EASTERN CANADA IS BY NO MEANS YET CERTAIN,  
AND THE EXPLOITATION OF THOSE RESERVES (ASSUMING THEY  
EXIST) WILL BE DICTATED IN LARGE MEASURE BY THE DEVELOP-  
MENT OF NEW TECHNOLOGIES AS WELL AS BY TIMETABLES SET BY  
COMMERCIAL OIL COMPANIES. HYDRO POWER, HOWEVER, IS A

DIFFERENT STORY. THE TECHNOLOGY (EXCEPT IN RELATION TO SOME ASPECTS OF FUNDY TIDAL POWER) IS TRIED AND TRUE, THE RESOURCE IS KNOWN TO EXIST IN MEASURABLE QUANTITIES, AND--BEST OF ALL--IT IS A NON-POLLUTING, NON-DEPLETING,

RENEWABLE RESOURCE. NOWHERE IN NORTH AMERICA IS THERE MORE THUS-FAR-UNEXPLOITED POTENTIAL HYDRO POWER THAN IN LABRADOR AND NO SITE IN THAT MAINLAND PORTION OF THE PROVINCE OF NEWFOUNDLAND IS MORE PROMISING THAN GULL ISLAND.

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DEVELOPMENT COSTS ARE HIGH (1976 ESTIMATE: CDOLLS 2.3 BILLION) BUT THE ADVANTAGES OF HYDRO POWER ARE SO GREAT THAT THERE CAN BE NO DOUBT BUT THAT THE GULL ISLAND PROJECT WILL IN TIME GO FORWARD. THE QUESTION IS WHEN.

22. THERE IS AN OBVIOUS NEED IN EASTERN CANADA, INCLUDING QUEBEC, FOR A REGION-WIDE ELECTRICAL GRID AND A FUNCTIONING POWER POOL WHICH CAN COORDINATE THE GENERATION AND DIS-

TRIBUTION, OF POWER WITHIN AND AMONG THE FOUR ATLANTIC PROVINCES AND QUEBEC, AND THE MARKETING OF SURPLUS POWER IN ONTARIO AND THE UNITED STATES. THE ADVANTAGES OF SUCH AN ARRANGEMENT WOULD SEEM TO OUTWEIGH BY FAR ANY REAL OR IMAGINED DISADVANTAGES FELT BY PROVINCES WITH "GO IT ALONE" TENDENCIES. UNTIL SUCH A GRID AND POWER POOL EXIST, IT IS DIFFICULT TO SEE HOW THERE CAN BE MUCH PROGRESS ON BRINGING THE GULL ISLAND HYDRO PROJECT INTO BEING. OTTAWA MUST IN TIME DECIDE WHEN ITS PERSUASIVE EFFORTS SHALL BE PUT FORTH. IF PERSUASION FAILS, THERE REMAINS COERCION. WHAT IS UNCERTAIN IN THE LIGHT OF THE PRESENT POLITICAL SITUATION IS WHETHER OTTAWA DARES USE IT.

23. U S INTEREST: IN THE GULL ISLAND PROJECT ITSELF THERE WOULD SEEM TO BE NO US INTEREST OTHER THAN AS A MARKET FOR CAPITAL AND AS A POSSIBLE SUPPLIER IN THE CONSTRUCTION PHASE. INsofar AS GULL ISLAND MAY PLAY A PART IN THE BRINGING-TOGETHER OF THE ELECTRIC UTILITIES IN EASTERN CANADA, HOWEVER, (ALONG WITH THE FUNDY TIDAL POWER PROJECT AND THE JAMES BAY PROJECT), IT MAY HELP TO UNLOCK SOME OF THE POLITICAL AND ECONOMIC RIVALRIES WITHIN THE REGION WHICH WOULD OTHERWISE DELAY THE FULL DEVELOPMENT OF ITS HYDROELECTRIC POTENTIAL. TO AN ENERGY-HUNGRY NORTHEASTERN US, DELAY MIGHT BE VERY

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DAMAGING. END COMMENT.

24. DRAFTER: JHMOORE  
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## Message Attributes

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